

Attachment 4.19-D
Page 61State IllinoisMETHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - Reimbursement to Long
Term Care Facilities

g. Total Capital Rate:

04/98 The Total Capital Rate will be the rate from subsection
III.C.7.f.i. plus the property tax rate from subsection
III.C.7.j.

h. Other Capital Provisions:

04/98 i. If, at the time of field audit, the auditors find that
the records to support capital costs are not adequate to
issue an unqualified opinion, that facility's capital
reimbursement will not be allowed to exceed the rate
calculated from use of the uniform building value. The
120% blending factor in subsection III.C.7.f.iii. will
not be allowed.

ii. For any change of ownership after July 18, 1984, the
cost basis of any asset shall be the lesser of the
allowable acquisition cost of such asset of the first
owner of record on or after July 18, 1984, or the
acquisition cost of such asset to the new owner.

04/98 i. Facilities which have continuously been rented from an
unrelated party since prior to 1978 or since the first day
of operation for facilities constructed since 1978 will not
have a blended value calculated. The uniform building value
will be substituted for the blended value in subsection
III.C.7.f.iv.

TN # 00-1

APPROVAL DATE

JUN 01 2000

EFFECTIVE DATE 1-1-00

SUPERCEDES

State Illinois

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - Reimbursement to Long Term Care Facilities

07/96

j. Property Taxes

For long term care services rendered the reimbursement for real estate taxes shall be based upon the actual taxes assessed for the base year. The base year will be the calendar year which ended 18 months before the beginning of the rate year on July 1.

Each facility shall be reimbursed for property taxes at a rate equal to the reported per diem property tax determined using actual occupancy or adjusted occupancy as specified in Section III B 3 and projected forward to the mid-point of the rate year using the average yearly changes in property taxes as reported on the most recent available cost report for a sample of homes in the geographic area. Some geographic areas will be grouped together where it has been found that costs are similar. Property taxes which do not relate to the provision of care in the nursing home, such as tax assessments for investment property, will not be considered for reimbursement.

04/98

Each year long term care facilities must submit a copy of the real estate tax bills to DPA. DPA will send a Property Tax Statement form for the long term care facility to complete and return with a copy of the tax bill. This will provide information necessary to calculate the real estate tax portion of the capital rate.

==07/98

Reimbursement rates for nursing facilities and ICF/MR facilities will remain at the levels in effect on January 18, 1994, except for new long term care facilities or long term care facilities that have changed ownership and have been assigned a median tax rate for their geographic area shall subsequently have those rates recalculated based upon the first full tax bill received by that facility. The revised rate will be the greater of the recalculated rate or the rate in effect. In order to calculate the potential tax rate, the real estate tax from the first full tax bill for the long term care property will be divided by the annualized capital days from the cost report used to calculate the remainder of the capital rate. There will not be an inflation factor used for this calculation.

Beginning with rates to be effective on July 1, 1995, the real estate tax cost described in this Section will be adjusted as follows prior to rate calculation:

1. Any direct appeal cost will be added. If the same cost reporting period is used to set rates for more than one rate year this cost will only be used for one rate year.

TN # 98-5APPROVAL DATE 12-9-98 EFFECTIVE DATE 7-1-99

SUPERCEDES

TN # 98-3

State Illinois

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - Reimbursement to Long Term
Care Facilities

11/94 ii. If a facility receives a refund of real estates taxes used to calculate a payment rate for the current or previous rate years, a portion of that refund will be offset against real estate tax cost to be used to calculate rates for the next rate year. The full amount of the direct appeal cost reported as a real estate tax cost plus one-half of the amount by which the refund exceeds the appeal cost, will be the offset. For example, assume that a facility receives a refund of \$70,000 in 1994 for taxes paid for 1991, and the facility pays \$10,000 in legal fees related to the appeal. The \$10,000 legal fee can be reported as a real estate tax cost on the 1994 cost report. Forty thousand dollars of the refund must be offset against the cost that would otherwise be used to calculate the next year's real estate tax rates. The \$40,000 is the \$10,000 fee plus one-half of the \$60,000 excess above the fee. If the same cost reporting period is used to set rates for more than one rate year, this refund will only be offset in one rate year.

iii. This benefit of the offset of less than the full refund is only provided to facilities which report that amount of refund on the cost report in the year in which the refund was received or accrued as a receivable. Any unreported refunds will be offset in full and the reported appeal cost will be reclassified as an administrative cost rather than a real estate tax cost.

07/91 k. Specialized Living Centers

i. Since the ICF-MR/SLC's were built by the State and given to SLC operators, the capital reimbursement for these facilities shall be split between the State and the SLC's.

TN # 98-3

APPROVAL DATE SEP 16 1998

EFFECTIVE DATE 4-1-98

SUPERCEDES

TN # 24-25

State IllinoisMETHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - Reimbursement to Long Term
Care Facilities

- 10/91 (A) The SLC's shall be reimbursed for actual capital costs up to \$3.50 per day for services provided on or after October 1, 1991.
- ==04/98 (B) The State, however, will claim Federal match for the total amount of capital reimbursement which the SLC's would have received had its reimbursement been calculated as in ~~subparagraphs III.D.1 through 7~~ subsection III.C.7.a through h.
- (C) SLC capital costs, because of the unique nature of their construction and the resulting costs, will not be included in the grouping of facilities for the derivation of capital reimbursement.
- ==04/98 (D) For SLC's incurring necessary major capital improvements due to correction of original construction deficiencies or necessary major construction improvements mandated by the ~~Department of Public Health DPH~~, the expenses of such improvements will be paid up to a maximum of \$2.00 per day.
- ==04/98 (E) For any change of ownership on or after July 18, 1984, the cost basis of any asset shall be the lesser of the net book value of such asset of the first owner of record on or after July 18, 1984, or the acquisition cost of such asset to the new owner. Net book value is the asset cost less accumulated depreciation as reported on annual cost reports to ~~the Department DPA~~. The cost basis of the asset will be used to determine reimbursement for depreciation expense and interest cost.
- 04/98 ii. The above ~~subparagraphs 1-7~~ shall not apply to State operated MR facilities which shall constitute a separate group and shall receive the median capital cost for the group.
- ==04/98 iii. For any changes of ownership on or after July 18, 1984, the cost basis of any asset shall be the lesser of the net book value of such asset of the first owner of record on or after July 18, 1984, or the acquisition cost of such asset to the new owner. Net book value is the asset cost less accumulated depreciation as reported on annual cost reports to ~~the Department DPA~~. The cost basis of the asset will be used to determine reimbursement for depreciation expense and interest cost.

SEP 16 1998

TN # 98-3 APPROVAL DATE _____ EFFECTIVE DATE 4-1-98

SUPERCEDES

94-25

State IllinoisMETHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - Reimbursement to Long Term
Care Facilities

- ==04/98 1. Some ~~ICF/MR/16~~ ICF/MR 16 and under facilities will be receiving HUD Section 8 Housing Assistance Payments and tenant contributions. For Medicaid reimbursement purposes, a separate grouping comprised of ~~ICF/MR/16~~ ICF/MR 16 and under facilities constructed with funds from Federal loan programs in conjunction with the Department of Housing and Urban Development Section 8 Housing Assistance Payments will be formed due to differences in HUD and ~~Illinois Department of Public Health~~ DPH building requirements. The Section 8 payment and contribution, in addition to covering the cost of amortizing the facility's direct loan, also is intended to cover building related operating expenses such as utilities, maintenance, management, etc. Since the Section 8 payment and contribution is intended to cover capital and a portion of the expenses considered as support costs for Medicaid purposes, a portion of the support component will be excluded from the Medicaid reimbursement of facilities receiving the Section 8 payments and tenant contributions.

==04/98 The capital cost allowance for these facilities will be higher. In order to recognize the higher costs associated with these differing requirements and the need for a tenant contribution established at 30% of an individuals SSI income (income at the level received by an individual residing in a non-Medicaid group home), the capital cost allowance will be set at 120% (the 20% multiplier will be reevaluated at such time as the historical costs of a statistically significant number of facilities can be reviewed) of the projected capital rate for other ~~ICF/MR/16~~ ICF/MR 16 and under facilities plus an equivalent to 30% of the individuals SSI income. Because the Section 8 payment and tenant contribution is intended to cover these capital costs, this cost component will be excluded from the Medicaid reimbursement of facilities receiving Section 8 and tenant payments. In addition, any capital cost allowance residual (determined by subtracting the allowance from a facility's total Section 8 per diem payment and tenant contribution) will then be the amount deducted from the facility's support rate.

TN # 98-3 APPROVAL DATE SEP 16 1998 EFFECTIVE DATE 4-1-98

SUPERCEDES

TN # 91-27

State Illinois

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - Reimbursement to Long Term
Care Facilities

==04/98 m. Capital rates for ICF/MR facilities with 4 beds or 6 beds will be set by the ~~Department of Mental Health and Developmental Disabilities~~ DHS/ODD according to calculation methods for rates for various capital categories. Rate charts will be prepared each year based upon these provisions.

i. The rate for an individual facility will be selected based upon the following criteria:

(A) New construction or remodeled building. If the facility is a remodeled building, the base cost will be used to assign it to a category.

(B) Base Year

(C) Location

ii. The terms used in this Section are defined as follows:

==04/98

(A) "Arm's-length transaction" means a transaction between a buyer and a seller both free to act, each seeking his own best economic interest. A transaction between related parties as defined in ~~Section~~ subsection II.C. is not considered to be an arm's-length transaction.

(B) "Base Year" refers to the weighted average year of investment in the actual construction of the building. The Base Year is determined using the components of the building cost, which are included in the Building Base Cost, and the corresponding years of acquisition or construction. The year of each component of the total investment is multiplied by the cost of each year's investment. The sum of these products is then divided by the total Building Base Cost to yield an average year of construction. Any fractional portion of the Base Year derived from this calculation will be truncated. The Base Year will not change due to sale or lease of the building.

TN # 98-3 APPROVAL DATE SEP 16 1998 EFFECTIVE DATE 4-1-98

SUPERCEDES

TN # 94-16

State Illinois

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - Reimbursement to Long Term
Care Facilities

- (C) "Capital Days" are used to convert all capital items to per diem amounts. A 93% occupancy standard is used in the rate calculation.
- (D) Building Base Cost refers to the cost to purchase the building to be first licensed as an ICF/DD facility with 4 or 6 beds. Only costs associated with arms-length transactions between unrelated parties will be considered. The allowable cost of subsequent improvements to the building will be included in the building base cost. The building base cost will not change due to sales or leases of the facility.
- (E) "Square feet per bed" is defined as 445 square feet per bed for a 4 bed facility and 365 square feet per bed for a 6 bed facility.
- (F) "New Construction Cost Per Square Foot" is defined as the costs published by the R.S. Means Company, Inc. Data will come from the most recent edition of the Means Square Foot Costs publication. The cost used per square foot for new construction is based upon average residential one story construction. Factors are included for wood frame, wood siding, central air, and two bathrooms.
- (G) Location. The facilities will be separated into one of the following location groups:
 - (A) Group 1 - Cook, DuPage, Will and Lake counties.
 - (B) Group 2 - Counties 175,000 to 1,000,000 population.
 - (C) Group 3 - Counties below 175,000 population.
- (H) New building construction refers to construction of a complete building for the purpose of being licensed and operated as an ICF/DD facility with 4 or 6 beds.

TN # 98-3 APPROVAL DATE SEP 16 1998 EFFECTIVE DATE 4-1-98

SUPERCEDES

TN # 92-7

State IllinoisMETHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - Reimbursement to Long Term
Care Facilities

(I) Remodeled buildings refer to buildings which previously existed for some other function and were remodeled to be licensed and operated as an ICF/DD facility with 4 or 6 beds.

iii. The rates will be calculated for facilities constructed during the current rate year according to the following steps. These steps will result in six different rate categories. There is a 4 bed rate and a 6 bed rate within each of three different location categories.

(A) Preliminary Cost Per Bed - The new construction cost per square foot is multiplied by the square feet per bed to get a preliminary cost per bed.

(B) Revised Cost Per Bed

(1) The preliminary cost per bed is multiplied by a 120% adjustment factor and is then further increased by factors for a two car garage and for sprinklers as follows:

(a) Garage - The R. S. Means Company, Inc. projected cost for an attached two car garage is divided by 4 or 6 beds whichever is applicable to obtain a cost per bed.

(b) Sprinklers - A \$6200 sprinkler cost is divided by 4 or 6 beds whichever is applicable to obtain a cost per bed.

(2) The result of this step is a revised cost per bed for new construction.

TN # 98-3 APPROVAL DATE SEP 16 1998 EFFECTIVE DATE 4-1-98

SUPERCEDES

TN # 92-7

State Illinois

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - Reimbursement to Long Term
Care Facilities

(C) Localized Cost Per Bed

- (1) The revised cost per bed is multiplied by a locality adjustor for the applicable area of the State in which the facility is located. A separate locality adjustor is calculated for the following areas:
 - (a) Cook, DuPage, Will and Lake counties.
 - (b) Counties 175,000 to 1,000,000 population (excluding DuPage, Will and Lake Counties).
 - (c) Counties below 175,000 population.
 - (2) The locality adjustors are calculated as the average of all locality factors for each area in the most recent R.S. Means Company, Inc. publication.
 - (3) The result of this step is the localized cost per bed.
- (D) Total Projected Investment Per Bed - Land is added to the localized cost per bed to arrive at the total projected investment per bed. Land is based upon \$25,000 for facilities located in the Cook, DuPage, Will and Lake counties. Counties with a population of 175,000 to 1,000,000 will use a \$18,750 total land cost. Counties with a population below 175,000 will use a \$12,500 total land cost. The total land cost is divided by 4 or 6 beds to determine the land cost per bed.
- (E) The total projected investment per bed is divided by 339 client days (365 days x 93% = 339) to arrive at a per diem investment.
- (F) The per diem investment is multiplied by a 11% rate of return and further increased by \$3.01 per diem for equipment, working capital costs and vehicles to obtain the rate.

TN # 28-3 APPROVAL DATE SEP 16 1998 EFFECTIVE DATE 4-1-98

SUPERCEDES

TN # 92-7

State Illinois

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - Reimbursement to Long Term Care Facilities

- ==04/98 (G) The rates for facilities with a base year which is older than the current rate year will be calculated using the same steps as newly constructed facilities in ~~Section C, subsection I.C.3.~~ except for the localized cost per bed in ~~(C)(iii) subsection III.C.7.m.iii.(C).~~ The localized cost per bed is discounted by a 3% obsolescence factor for each year between the base year and the current year.
- ==04/98 (H) A table will be prepared by ~~the Department of Mental Health and Developmental Disabilities~~ DHS/ODD which will list all applicable rates for each rate year. The rate for any facility will be looked up based upon the base year, bed size and location of the facility.
- (I) Rates for Remodeled or Existing Construction
- ==04/98 (1) To recognize the potentially wide range of investment in existing facilities to be converted into 4 and 6 bed ICF/MR residential facilities, modifications have been made to the calculation of total projected investment for ~~Section 15.c.iv subsection III.C.7.m.iii.(D).~~
- ==04/98 (2) The buildings which were remodeled will be separated into four categories using the lower of the actual land and building purchase price plus remodeling cost per bed, or the appraisal cost of land and building per bed. This assignment to categories is based upon comparison of the facility's cost (lower of actual or appraisal) to the result of the following percentages of the projected investment from ~~Section 15.c.iv, subsection III.C.7.m.iii.(D).~~: (Equipment cost is not included in this comparison.)
- (a) Category 1 - 77.5% and above
 - (b) Category 2 - 62.5% to 77.4%
 - (c) Category 3 - 47.5% to 62.4%
 - (d) Category 4 - 47.4% and less

TN # 98-3 APPROVAL DATE SEP 16 1998 EFFECTIVE DATE 4-1-98

SUPERCEDES

TN # 94-16